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Wyeth

June 11, 2004

Ms. Mary L. Cottrell, Secretary
Massachusetts Department of
Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110


Re: Boston Edison Company, Cambridge Electric Light Company,
Commonwealth Electric Company d/b/a NSTAR Electric
D.T.E. 03-121

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced proceeding, please find an original and sixteen copies of Wyeth Pharmaceuticals, Inc.'s Comments of Limited Intervenor on the NSTAR Settlement Agreement.

Thank you for your assistance in this matter.

Very truly yours,


Ronald J. Schott

RJS/va
Enclosures

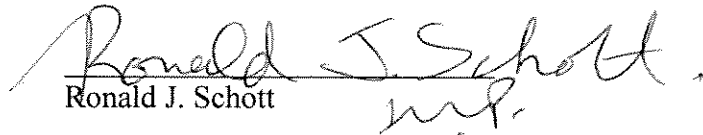
cc: William Stevens, Legal Division (8)
John-Cope-Flanagan, Legal Division
Sean Hanley, Rates and Revenues Requirements Division
Claude Francisco, Rates and Revenues Requirements Division
Jeff Hall, Rates and Revenues Requirements Division
Joseph Passaggio, Rates and Revenues Requirements Division
Meera Bhalotra, Rates and Revenues Requirements Division
Xuan Yu, Rates and Revenues Requirements Division
Robert Harrold, Electric Power Division

Wyeth Pharmaceuticals
Wyeth Consumer Healthcare
Fort Dodge Animal Health

CERTIFICATION OF SERVICE

I, Ronald J. Schott, certify that I have served a copy of Wyeth Pharmaceuticals, Inc.'s Comments of Limited Intervenor in D.T.E. 03-121 on each of the individuals on the service list on file with the Secretary of the Department of Telecommunications and Energy.

Dated at Boston, Massachusetts, this 11th day of June, 2004.


Ronald J. Schott

(b85543)

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company
Cambridge Electric Light Company
Commonwealth Electric Company d/b/a
NSTAR Electric

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D.T.E. 03-121

**COMMENTS OF LIMITED INTERVENOR WYETH PHARMACEUTICALS, INC. ON
THE NSTAR SETTLEMENT AGREEMENT**

I. INTRODUCTION

Wyeth Pharmaceuticals, Inc. ("Wyeth") appreciates the opportunity to provide these comments regarding the proposed settlement agreement filed on June 4, 2004, ("the NSTAR Settlement Agreement"), which purports to resolve all issues in this proceeding. While Wyeth does not agree with NSTAR's pre-emption of the collaborative process in this matter, as an electric customer and owner of distributed generation, Wyeth does support the development of policies and rate designs that promote clean, efficient energy, innovative solutions and a fair recognition of the benefits of distributed generation to the power grid. In addition, while Wyeth notes that certain elements of the NSTAR Settlement Agreement are steps in the right direction, it can not support the proposed settlement agreement as a means to resolve the many generic policy issues raised in this proceeding.

In providing these comments, it must be understood that Wyeth does not take the position, and explicitly rejects any notion, that the NSTAR Settlement Agreement establishes enforceable MDTE precedent and reserves the right to object to any subsequent filings of the

same or a similar nature that might come before the Department. Similarly, Wyeth reserves the right to amend or supplement these comments should new information come to light during this comment process. In any event, Wyeth would like to state its general support of the arguments raised in the Initial Brief of The Energy Consortium and the Northeast Distributed Generation Coalition filed with the Department on June 4, 2004.

It is Wyeth's view that the collaborative effort initiated by the Department in D.T.E. 02-38 would have provided a more fair and effective forum for achieving the goals of: (i) the development of policies and rate designs that promote clean, efficient energy, innovative solutions and (ii) a fair recognition of the benefits of distributed generation to the power grid. Wyeth continues to support the collaborative process established by the Department. Unfortunately, the standby rate filing made by Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company, d/b/a NSTAR Electric ("NSTAR" or "the Companies") in this proceeding has pre-empted the generic, collaborative approach to addressing the issues surrounding distributed generation that the Department has pursued successfully in D.T.E. 02-38. The proposed settlement discourages the development of clean, efficient energy, stifles innovation and would impose discriminatory and regressive rates for distributed generation of over 1 MW.

The record in this adjudicatory proceeding addressing NSTAR's proposed rates clearly demonstrates the level of complexity and the significant number of competing interests and policy considerations that must be weighed in establishing rules governing distributed generation and standby rates. The use of relatively arbitrary discounts of 10%, 15%, and 20% off the NSTAR-proposed rates, which discounts derive from an arbitrary demand charge originally filed by the Companies, does not give credence to, much less justify, the rates proposed in the NSTAR

Settlement Agreement. The record plainly shows that there is insufficient data at this time to support the proposed settlement rates.

The Companies' proposal for a contract demand rate with a 100% ratchet is discriminatory, unsupported by the record, and contrary to sound public policy. The rates proposed in the NSTAR Settlement, while slightly lower, remain flawed and discriminatory, are unsupported by the record, and are contrary to sound public policy. Given the deficiencies in the proposed settlement rates, and the large number of generic issues that still need to be addressed in regard to distributed generation, Wyeth urges the Department to reject the NSTAR Settlement Agreement and to continue to address the generic policy issues surrounding distributed generation and standby rates through the collaborative process established in D.T.E. 02-38.

A. WYETH

Wyeth, formerly known as "Genetics Institute," has been operating in Massachusetts for more than twenty years. Genetics Institute was founded in 1980 as an applied research center and soon transitioned to a research-based, product-driven pharmaceutical company developing, manufacturing, and commercializing proprietary drugs. Wyeth's Andover Campus employs more than 1,800 researchers, scientists, engineers, technicians, and other biopharmaceutical professionals. As a company, Wyeth has invested more than \$2 billion worldwide in its biopharmaceutical manufacturing capacity. Wyeth is now pursuing an expansion of its Andover campus which, if completed, would make that facility one of the largest biopharmaceutical operations in the world.

Wyeth's Andover facility, a Massachusetts Electric Company ("MECO") customer, is not subject to standby rate charges. Rather, the rate applied to Wyeth is the standard class tariff, with an "as used" demand and delivery charge component. Under this rate structure, Wyeth is

motivated to maintain high operational reliability during peak system hours. The imposition of a “contract demand,” as would be imposed by the NSTAR Settlement Agreement, provides a disincentive for distributed generation units to stay on line during peak hours. With the current structure, a generator is penalized if it falls off line during peak hour operation. If that generator can remain on line during peak hours for the entire month, it reaps the benefit in a lower bill. The system benefits by having generation on line during critical periods.

Wyeth appreciates the electric distribution industry’s position regarding the need to recover the capital and expense of facilities and also understands the reliability concerns associated with distributed generation of certain designs and categories. Wyeth believes customers should have the right to optimize their resources, to assess their risks and to act and contract accordingly. While the proposed NSTAR Settlement Agreement provides for both negotiated contract demand and non-firm service, including the ability to appeal to the Department if the parties cannot reach agreement on terms, Wyeth believes that the NSTAR Settlement Agreement provides the Companies little incentive to agree to anything other than the tariff rate, thus imposing, among others things, the transactional costs of pursuing an appeal to the Department.

One way to strike a balance between these potentially competing concerns, where they involve standby rates, is for the Department to order a full generic exploration into the issues already defined by the Department through a collaborative workgroup. As discussed *infra*, a collaborative process would ensure more customer choice, a level playing field, and a fairer approach to standby rates.

B. NSTAR'S SETTLEMENT PROPOSAL

The NSTAR Settlement Agreement proposes a standby rate that collects all revenue through a fixed charge based on a customer's contract demand. See Exh. JS-MBL-1 at 7-8. The contract demand (i.e., the basis for the standby rate to be charged to a customer that has installed or install distributed generation) is equal to the customer's installed distributed generating capacity. Id. The proposed minimum billing charge would be the contract amount. Supplemental power is proposed to be charged "as used." See Exh. TEC-1 at 3. In addition, the Companies propose to directly meter the capacity of the distributed generation, which metering is proposed in addition to the existing utility interface (also known as "billing") meter. See Exh. NEDGC-3 at 10.

Furthermore, in the event the distributed generation customer's output exceeds its contract demand, a new contract demand would automatically be established, or the customer will be charged based on the maximum output capability of the unit.¹ See Exh. NEDGC-3 at 7. The foregoing approach amounts to what is known as a "ratchet." A ratchet mechanism provides a disincentive for distributed generation to operate as efficiently as possible, thus providing little or no beneficial contribution to the overall system. Id.

Consequently, the NSTAR Settlement Agreement effectively asks the Department and the Commonwealth to take a step backward in its promotion of clean, efficient generation. NSTAR's filing reflects no consideration of the policy benefits of encouraging distributed generation or promoting energy conservation; it simply seeks to impose ratchets and disincentives for distributed generation in order to ensure absolute revenue stability for the

¹ Generation output can vary significantly seasonally. The output of a gas turbine can vary from -20% to +15% depending upon outside air temperature.

Companies. As detailed in the pleadings and testimony of many intervenors in this case See e.g. Exh. TEC-1 at 10; Exh. NEDGC-1 at 7., the NSTAR Settlement Agreement violates the legal standards for standby rates previously established by the Department, and should be rejected. The NSTAR Settlement Agreement also requires that customers provide the Companies with access to their metering downstream of the sales meter, at the customer's expense. The Department should not condone such an invasive policy particularly when the Department can achieve the same objective by requiring customers to report such information. Mechanisms to assess the benefits of distributed generation are generic in nature and should be more efficiently addressed through the collaborative process.

II. SPECIFIC COMMENTS

A. THE PROPOSED SETTLEMENT RATES ARE DISCRIMINATORY AND DISCOURAGE EFFICIENT OPERATION OF DISTRIBUTED GENERATION

Department precedent concerning standby and backup rates prohibits discriminatory rates, like those proposed by NSTAR, which treat customers with similar loads differently. See Boston Edison Company, D.P.U./D.T.E. 92-92 at 58 (1992); Exh. TEC-1 at 3. The standby rates established in the NSTAR Settlement Agreement should be rejected because they discriminate against customers operating distributed generation. As described in the testimony of Mark B. Lively, and other intervenor witnesses, the contract demand charge merely serves to increase NSTAR's revenues in an artificial manner with no load research to support the rate. See, e.g., Exh. JS-MBL-1 at 19; see also Exh. TEC-1 at 3; Exh. NEDGC-1 at 6-8. Indeed, most load research studies suggest that customers with distributed generation should pay lower, not higher,

demand rates than customers without distributed generation because of the lower diversified demands that distributed generation places on the utility system. Id.

NSTAR's assertion that customers with distributed generation are different because they require "instantaneous" service is also unsupported by the record because any customers may seek service on an instantaneous basis. Compare, e.g., Exh. NSTAR-HCL-1 at 12 with Exh. TEC-1 at 5-6. NSTAR's proposed settlement rates are discriminatory because they would impose higher charges on customers with distributed generation for the same instantaneous service provided to all customers.

The proposed standby rates also utilize a contract demand ratchet that unfairly overcharges generation customers, contrary to Department precedent and sound public policy. See Exh. TEC-1 at 10; Exh. NEDGC-1 at 7. The Department has rejected demand ratchets because they do not promote energy conservation and can unfairly impose higher costs on certain customers. See Cambridge Electric Light Company and Massachusetts Institute of Technology, D.P.U./D.T.E. 94-101/95-36 (1995). The proposed ratchet provides a significant disincentive for distributed generation to operate efficiently and reliably, and thus reduces the benefits to the electric grid that would otherwise be provided by the distributed generation. See Exh. NEDGC-1 at 7.

**B. THE DEPARTMENT SHOULD DEVELOP POLICIES THAT
RECOGNIZE GENERATING CUSTOMER'S UNIQUE
CIRCUMSTANCES AND PROMOTE ENERGY EFFICIENCY
AND CUSTOMER CHOICE**

The rates proposed in the NSTAR Settlement Agreement are contrary to the stated goals of the Commonwealth and the Department to promote customer choice, energy efficiency and reliable service at the lowest possible cost for all consumers. See Exh. NEDGC-1 at 8-9. Rather

than approving the anti-competitive rates in the NSTAR Settlement Agreement, the Department should seek to develop rate designs that support efficient operation of distributed generation and customer choice. Such rate design should provide flexibility to recognize the unique operations of individual customer's on-site generation, including special contracts or flexible rate structures, that reflect the actual costs and benefits associated with service to a particular customer. See Exh. NEDGC-3 at 11.

One positive provision of the NSTAR Settlement Agreement is that customers might have an opportunity to negotiate special contracts that provide for customer-nominated contract deemed levels; though, as noted above, we question the practical application of the provision in this instance. See NSTAR Settlement Agreement at pp. 5-6. Customers should have the opportunity to optimize their resources, assess their risks and to contract accordingly. Rather than being charged a fixed rate based upon nameplate capacity, generating customers should have the option to contract for a specific capacity relevant to their needs and to bear the costs and risks associated with that business decision. See Exh. DOER-AEP-1 at 13.

C. THE DEPARTMENT SHOULD REJECT NSTAR'S PROPOSAL
TO METER CUSTOMER'S ON-SITE GENERATION

Though the Department has previously determined that the issue of meter ownership should be addressed by the Distributed Generation Collaborative, the NSTAR Settlement Agreement would require a utility-owned meter to be installed to meter the output of a customer's on-site generation. See Exh. DOER-AEP-1 at 14; Exh. NEDGC-3 at 10. The "Availability" section of NSTAR's proposed tariffs requires customers to provide a "connection whereby the Company can meter the power supplied by the Customer's Generation Units." All meters shall be owned, operated and maintained by the Company". See Exh. NEDGC-3 at 10.

While it is reasonable for NSTAR to install a meter to measure the electricity that NSTAR delivers to, or purchases from, a customer, it is objectionable and invasive to require a customer, or other owner of distributed generation, to allow NSTAR to install a meter “inside the fence” to measure the output of the customers’ generating units. *Id.* The obvious justification for such a requirement is NSTAR’s anti-competitive, contract demand rate proposal. Such a requirement is contrary to the development of a competitive market and inconsistent with the Department’s directive to address the issue of meter-ownership in the DG Collaborative.

D. THE "GRANDFATHERING" PROVISIONS OF THE NSTAR SETTLEMENT ARE EQUITABLE AND APPROPRIATE

Since March 1, 1998, and until this proceeding by the Companies, the Commonwealth’s distribution companies have not utilized backup and standby charges. While we note that some distribution companies have reserved² the right to impose such charges on *new* generating facilities, to our knowledge, none have applied for such rates. Despite the significant uncertainty created by this reservation of rights to seek the imposition of these rates, customers (including Wyeth) have had to make decisions regarding energy supply options and have been faced with the need to evaluate the benefits and detriments associated with the installation of distributed generation.³

The revised grandfathering provision in the NSTAR Settlement is equitable because it exempts from the proposed rates those customers that invested in distributed generation prior to adoption of such stand by rates. In Wyeth's case, at the time it invested in its generating units, no backup and standby charges were in place under MECO’s tariff. Wyeth reviewed the economics

² “Reserved” meaning that the distribution company has notified customers that, in the future, it may impose such a rate.

assuming no such charges would apply. To change the rules after these decisions have been made would impose a significant and unwarranted burden upon customers such as Wyeth and could create an uneven playing field in the market place. The decisions to invest must be made well enough in advance to ensure that the electrical and mechanical systems, which rely on those decisions, can be designed, ordered and installed. Customers need clear direction as to the rates to consider in their economic analyses, and should not be penalized retroactively.

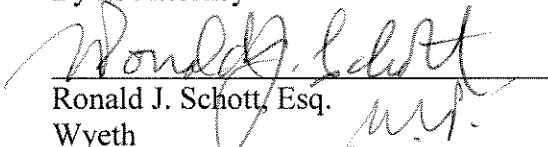
³ Wyeth is experiencing fortuitous growth in its product development and, to meet the demands of its customers, has needed to expand its facilities in Andover. To determine how best to provide its requisite electric and steam service, Wyeth invested in and installed, in August 2003, a second 4.9 MW co-generation unit.

III. CONCLUSION

Massachusetts has an opportunity to take a lead role in an innovative design of standby rates, but the NSTAR settlement is regressive. Wyeth urges the Department to continue the collaborative process in order to compile sufficient data and consider the myriad of issues regarding distributed generation and the appropriate design of standby rates. Wyeth believes that such an effort is the best means of ensuring fairness and a level playing field and recognizing the benefits of distributed generation to the power grid. For the above-stated reasons Wyeth respectfully requests that the Department reject the proposed NSTAR Settlement Agreement and continue its consideration of standby rate design through the collaborative processing in D.T.E. 02-38.

RESPECTFULLY SUBMITTED,

Wyeth Pharmaceuticals, Inc.,
By its Attorney



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